

NEW SOUTH WALES

BUDGET SPEECH

*Delivered on 22 June 1999
by the Honourable Michael Egan MLC
Treasurer of New South Wales*

Mr Speaker

I am pleased and honoured to be back.

And I'm especially pleased to report that our economy is in good shape and our State's finances have never been stronger.

Over the last twelve months New South Wales has gained a net 75,000 new jobs and now has the lowest unemployment rate since 1990 and the lowest of all the Australian States.

The Budget is again in surplus – the third surplus of the last five budgets and probably only the fourth genuine surplus in the State's history.

Debt and liabilities are being reduced and the State's triple A credit rating strengthened.

Strong operating surpluses each year mean that the State's net asset base is growing strongly.

Our net equity now exceeds \$72 billion, giving New South Wales by far its strongest ever balance sheet.

A strong financial position and a good set of numbers are not, however, ends in themselves.

They are simply the means, the pre-requisite, for a secure community, good public services and facilities, sustained job growth and the capacity to meet any risks or challenges that might be ahead.

Of course, twelve months ago, the Hanrahans were out in force.

“We’ll all be rooned” was their knee-jerk response to the Asian financial crisis.

The reality instead has been twelve months of remarkable economic resilience and growth.

But there can be no room for complacency.

The first-rate economic and job growth performance of Australia, and New South Wales in particular, over the last year did not happen by chance.

It happened because of generally good decisions and hard work by our businesses, by our workforce, by our Governments, State and Federal and on both sides of the political fence, over a long time.

And it happened because of a sustained effort to create an open, efficient, competitive economy, particularly over the last fifteen years and a first-class community over an even longer period of time.

Our commitment now must be to pass on our legacy to the next generation, strengthened and enhanced in every way.

From a position of undoubted strength, we must now secure the future.

This budget achieves more for families with additional spending in health, education, policing, transport and community services.

And it achieves more for our State by seizing the opportunity of strong economic conditions to generate surpluses and continue the work of paying down debt.

It’s a Budget that provides more than \$2.6 billion of tax reductions over the next four years to boost economic growth and create jobs.

And it's a Budget that fulfils our pledges. Over \$800 million is provided over the next four years to implement the plans we presented to the electorate in March this year.

This Budget sets the foundations for solid achievements during the next four years.

BUDGET EXPENDITURE

INTRODUCTION

I now turn to the Budget outlays.

Recurrent expenses for the general government sector in 1999-2000 will total \$27,495 million.

New asset acquisitions in the general government sector will total \$2,691 million.

I should point out also that the Government's total expenditure on capital investment, including both the general government sector and government business enterprises will increase from \$4.7 billion in 1998-1999 to \$5.2 billion in the coming year.

Total capital investment in the next four years is projected to reach \$20 billion – a \$2 billion increase on the last four years.

This level of capital investment will support around 75,000 jobs a year.

Health

Recurrent expenses for health and hospitals will total \$6,972 million, an increase of more than \$300 million over last year's budget.

A further \$449 million will be invested in new health and hospital assets.

Total health and hospital spending this year is equal to \$1,162 for every person in New South Wales.

The Budget provides substantial funding over the next four years for new services including:

- ◆ \$11 million to install 20 new telemedical sites in rural areas
- ◆ \$8 million to support rural training courses under the locum program for rural specialists
- ◆ \$12.5 million to expand respite and other support services for families in need
- ◆ \$4.5 million to enable diabetics to receive needles and syringes free of charge
- ◆ \$21 million for the Greater West for new services including expansion of specialist services at Liverpool Hospital and emergency and critical care services at Nepean Hospital
- ◆ \$28 million to redevelop Shoalhaven Hospital
- ◆ \$30 million to build 14 new multi-purpose centres in rural areas which will combine health, community and aged care services, and
- ◆ \$9 million to build new day surgery facilities at Westmead and St. George Hospitals.

Other major health and hospital expenditures during 1999-2000 include:

- ◆ \$11 million on the Allandale Hospital redevelopment
- ◆ \$30.5 million on re-development of Blacktown Hospital
- ◆ \$12.9 million on redevelopment of Calvary Hospital
- ◆ \$60.5 million on redeveloping Royal Prince Alfred Hospital and other facilities in the Central Sydney Health Service

- ◆ \$13.5 million on Coffs Harbour Hospital
- ◆ \$13.3 million in the Macarthur region, including redevelopment of Campbelltown and Camden Hospitals
- ◆ \$15.1 million in the Lower North Coast, with major works at Manning Base Hospital
- ◆ \$12 million on Stage 2 of the Nepean Hospital redevelopment
- ◆ \$3.5 million on the Stage 3 redevelopment at Tweed Heads
- ◆ \$2.3 million to commence the \$79 million redevelopment of Sutherland Hospital
- ◆ \$9.4 million on the St. George Hospital Education Centre and Psychiatric Admission Centre
- ◆ \$4.2 million on redevelopment of Armidale Hospital
- ◆ \$6.9 million on the redevelopment of Broken Hill Hospital
- ◆ \$5.2 million on the redevelopment of Dubbo Hospital
- ◆ \$8.2 million on the Garrawarra Centre for Aged Care
- ◆ \$9.8 million on various projects associated with the Hunter Strategy Stage 1
- ◆ \$6.7 million on upgrading Wollongong Hospital, and
- ◆ \$15.2 million on Year 2K conversion bringing total expenditure in this area to almost \$50 million.

Drug Summit

The Government currently spends around \$70 million a year on drug programs.

This Budget contains a further \$21.3 million over the next four years for new drug treatment services and harm minimisation measures announced before the election.

In addition, the Government will soon respond to the recommendations of the Drug Summit.

This year's surplus and the Treasurer's Advance provide us with the financial capacity to implement our response.

Education

Our second largest financial commitment in 1999-2000 is to education.

This year's expenses for education and training will total a record \$6,641 million, an increase of \$90 million over last year's Budget.

In addition \$289 million will be spent on new education investments.

Since coming to office in 1995, we have increased spending on education and training by \$1.1 billion.

This year's Budget provides new resources both for computers and technology in schools and for an increased emphasis on the three R's.

An amount of \$87 million is being provided for expanded reading and numeracy programs, statewide testing and intensive remedial programs.

The highly successful Reading Recovery Program will be available to more schools. By the end of this year we'll have more than 900 teachers trained in specialist reading recovery techniques.

Over the last four years we have provided schools with over 90,000 multi-media computers. Over the next four years, we'll be supplying an additional 25,000.

Approximately 15,000 teachers have already received training in the use of technology in the classroom. Training for a further 25,000 teachers will be provided over the next four years.

A further \$10 million will be provided over the next four years, including \$2 million this year, to enable all Government schools to be cabled with local networking infrastructure, giving schools the flexibility to use computer equipment in ways that best suit their individual needs.

A number of new initiatives will also be introduced as part of the Ready for Work plan.

These include the development of seven new vocational subjects for the new Higher School Certificate, the introduction of individual School-to-Work plans for Year 9-12 students, and expansion of the Work Education Program to improve the knowledge of young people on how to get a job, where the jobs are and the personal qualities needed to succeed.

Over the next four years, an extra \$60 million will be available for school maintenance, including \$15 million this year, providing a total of \$162 million for school maintenance in 1999-2000.

This year's total allocation for schools and training provides \$289 million for investment in new educational assets. This includes 24 new school building projects, and 19 new TAFE projects, with new facilities at Belmont, Kingswood, Moree, Queanbeyan, Taree, Wollongong and Yallah.

Construction will also continue on major developments at Campbelltown, Granville, Hornsby, Mt. Druitt and Wollongong colleges.

Capital works funding for schools alone will exceed \$783 million over the next four years.

Community and Social Services

I now turn to community and social services.

In 1994-95, the last Budget before the Carr Government took office, the allocation for expenses in the community, aged and disability portfolio was \$993 million.

It is now \$1,438 million, an increase of \$445 million or 69 percent. This includes an increase of \$53 million this year.

Features of this year's Budget include:

- ◆ \$335 million for child and family support services, including \$94 million for protection of children from abuse and neglect
- ◆ \$101 million for childcare, including \$81 million for pre-schools and day care centres
- ◆ \$8.2 million to fund the new Commission for Children and Young People and the Children's Guardian
- ◆ an additional \$204 million over four years to provide more supported accommodation places and other services for disabled people, and
- ◆ an increase of \$5.1 million in State funding of the Home and Community Care Program, bringing the State's contribution to \$109.5 million.

In other areas of social expenditure:

- ◆ \$264 million will be allocated in 1999-2000 for nearly 2,470 new units of public, community, crisis and Aboriginal housing, as well as \$190 million for upgrading existing accommodation, and

- ◆ \$120 million is being allocated over four years for the Aboriginal Communities Development Program to provide housing, sewerage and water infrastructure.

Environment

This year's Budget again builds on the Carr Government's ongoing commitment to preserving and protecting our natural environment.

The recurrent expenses for the environment portfolio will total \$474.1 million, and increase of \$37.2 million on last year's budget. Capital investment will total \$81 million.

Since coming to office in 1995 we have more than doubled spending on the environment.

Environmental measures in this Budget, funded from both the environment and other portfolios, include:

- ◆ over \$200 million during the next four years for backlog water supply and sewerage schemes in country towns
- ◆ an additional \$6 million over four years to fund remediation of Lake Macquarie
- ◆ \$4 million over four years to map native vegetation
- ◆ \$6 million over four years to improve the foreshores of the Georges River
- ◆ \$5.8 million over four years for the Blue Mountains run-off control program
- ◆ \$10 million for the Native Vegetation Management Fund to protect, maintain and rehabilitate native vegetation
- ◆ \$7 million over four years for the creation of three new regional parks at Newcastle, the Blue Mountains and Wolli Creek

- ◆ \$44 million over three years in grants to the Stormwater Trust for urban stormwater remediation
- ◆ an additional \$58 million over four years for the management of more than 700,000 hectares of new parks and reserves in the north east and south east of the State created as a result of the Government's forestry reforms
- ◆ \$3.9 million for the Rivercare Program to ensure the sustainable management of rivers and riparian land, and
- ◆ an additional \$3.5 million over four years to enhance management of marine parks.

Public Safety

In its first term of office the Carr Government gave the New South Wales Police Service record police numbers and a record budget.

Total recurrent expenses for the Police portfolio in 1999-2000 will be \$1,444 million – up \$110 million on last year's Budget.

This provides for the first stage of our plan to increase front line police numbers by 2,110 by the end of 2003. This will be achieved by the recruitment of an additional 1,000 officers, and the freeing-up of another 1,110 from other duties.

Freeing-up police officers will allow their skills to be used where they are most needed – in frontline policing.

It will also allow for appropriately skilled people to take up positions as intelligence analysts, forensic scientists, fingerprinting technicians and in operational support areas.

A further \$164 million is being allocated over four years to meet the anticipated flow-on costs of police activity for the Attorney-General's Department, the Department of Corrective Services, the Legal Aid Commission and the Office of the Director of Public Prosecutions.

The Police Service allocation this year also includes a record capital investment program of \$99 million.

Other important public safety initiatives this year include:

- ◆ an additional \$3 million allocation over four years to strengthen the Women's Domestic Violence Court Assistance Program, and
- ◆ \$4.2 million per year for the Youth Justice Conferencing Scheme.

Protecting people and property from fires is, also, of course, a vital part of public safety.

Over the next four years, \$25 million is being allocated for new fire stations in Sydney, the Illawarra, the Central Coast and the Hunter, over \$70 million for 238 new and upgraded fire engines and \$14 million for the recruitment of additional fire fighters.

An additional \$20 million will be provided over the next four years to boost the tanker replacement program of the Department of Rural Fire Service by 25 percent. This allows a total of \$25 million in 1999-2000 for 185 new tankers.

Transport

The Government's transport plan, Action for Transport 2010, will be the most comprehensive public transport and road improvement program ever undertaken in New South Wales.

A \$3 billion program over ten years, it will not only develop the State's transport links but will also support our objectives for economic development, employment growth, social justice and environmental protection.

In 1999-2000, \$750 million will be spent on significant transport improvements, excluding roads.

This includes:

- ◆ the commencement of a \$41 million program to upgrade passenger information facilities across CityRail's entire network
- ◆ expenditure of \$26 million in 1999-2000 on the initial design and construction of the \$1.4 billion Parramatta rail link. This massive project will be a major expansion of Sydney's rail network, relieving congestion on the system and providing new services to areas such as Macquarie University and North Ryde
- ◆ \$50 million in 1999-2000 on upgrading security on all 301 City Rail stations and carparks involving the installation of closed circuit television, high intensity security lighting, and emergency help points
- ◆ \$70 million for the completion of the New Southern Railway, from Sydney Central to the airport
- ◆ \$4 million to commence electrification of the Illawarra line between Dapto and Kiama
- ◆ expenditure of \$27 million this year on Easy Access upgrading of rail stations to assist passengers with disabilities, the aged and those carrying children or heavy luggage
- ◆ \$8 million for the extension of the Sydney Light Rail to Lilyfield in Sydney's inner western suburbs
- ◆ the commencement of a \$100 million program over ten years for the purchase of 12 new Supercat ferries, for refitting Manly ferries, and for wharf improvements
- ◆ over \$50 million this year for the acquisition of new Volvo and Mercedes buses, being constructed in Tamworth and Smithfield. By 2000 the State Transit Authority will have 260 low floor, fully accessible and air-conditioned buses in its fleet

- ◆ \$28.5 million to complete the Jerry's Plains rail spur
- ◆ \$23.8 million on major crossing loops in various country areas, and
- ◆ \$10.4 million to commence a \$220 million, ten-year program to upgrade freight routes in various locations.

This year's Roads program will amount to \$2,265 million, an increase of \$107 million on 1998-99 and includes:

- ◆ \$220 million for the Pacific Highway, \$160 million being State funded and \$60 million Commonwealth funded
- ◆ \$274 million for the M5 East project
- ◆ \$26 million for the Liverpool to Parramatta Transitway
- ◆ \$27 million towards the five year \$129 million program to upgrade country timber bridges
- ◆ \$36 million for the Public Transport Infrastructure Improvement Program
- ◆ \$145 million for road works in Western and South Western Sydney
- ◆ commencement of the Government's \$380 million, ten-year program to upgrade the Princes Highway at a cost of \$33 million in 1999-2000
- ◆ commencement of a 12-year \$460 million program to upgrade the Penrith to Orange route at a cost of \$25 million in 1999-2000, and
- ◆ commencement of a one billion dollar program over ten years, as part of Action for Transport 2010, to rebuild country roads. Roads which will be targeted in the initial stage include Inverell to Moree, Narrabri to Wee Waa, Gunnedah to Narrabri, Cowra to Bathurst, Dubbo to Bathurst and Tamworth to Gunnedah.

Agriculture, Forestry, Land and Water Resources

The Government is continuing with its water reforms, forest reforms, and land reforms to ensure our farming and forestry communities have a financially viable future while minimising any adverse impacts on the environment.

Total expenses in Agriculture, Forestry and Land and Water Resources are budgeted to be \$1,195.7 million, an increase of \$34.2 million over last year's budget. Total asset acquisitions are budgeted to be \$36.2 million.

Some of the initiatives in this Budget include:

- ◆ \$12.7 million for the Advancing Australian Agriculture Program
- ◆ \$24.7 million as part of the Government's five-year \$117 million water reform package, including \$4.5 million for the Water Use Efficiency Scheme
- ◆ funding of \$6.5 million for the control of noxious weeds, to avoid losses in agricultural production
- ◆ \$7.4 million contribution to the Irrigation Areas and Districts and \$16.3 million for works including the implementation of Land and Water management plans
- ◆ \$16.5 million as the NSW contribution to the Murray Darling Basin Commission
- ◆ funding of \$2.4 million for the Acid Soil Action Program
- ◆ \$16 million over four years for flood mitigation works, and
- ◆ an additional \$20 million funding for the Forest Industry Structural Adjustment Package to extend the program to 2006.

Olympics

The construction effort for the Olympic and Paralympic Games is almost complete.

In 1998-99, the construction cost to the Budget will amount to approximately \$485 million. In the coming year it will drop by \$234 million to \$251 million.

So far, 85 percent of the total venue and infrastructure budget has been spent and paid for.

When we won the Olympics back in 1993, the Fahey Government spoke for all Australians when it pledged that Sydney would host the best Olympics the world has ever seen.

And in 1995, in the Carr Government's first budget, we pledged to the taxpayers of New South Wales that the Games would be paid for up-front, with not a single cent left owing after the last race had been run.

Both pledges will be honoured to the full.

Year 2000 Impact

I can also report that Government agencies have been making a major effort to identify risks and prepare for the potential effects of the Year 2000 computer problem.

The Government's Office of Information Technology is managing the Government's Year 2000 strategy on a co-ordinated, whole-of-Government basis. Agencies will continue to be monitored to ensure that Y2K deadlines are met.

Government agencies, including government businesses, have budgeted \$409 million for Y2K rectification in the two years 1998-1999 and 1999-2000.

Revenues and Taxes

General governmental revenues are expected to total \$28,831 million, an increase of \$370 million over the revised estimate of \$28,461 million in 1998-99.

Revenue from State taxes, however, is estimated to decline from \$14,104 million in 1998-1999 to \$13,945 million in 1999-2000.

This results in part from a number of previously announced tax reductions which come into effect on 1 July.

These include:

- ◆ the reduction in land tax from 1.85 percent to 1.7 percent
- ◆ the indexation of both investor and premium property tax thresholds
- ◆ a decrease in the rate of payroll tax from 6.85 percent to 6.4 percent
- ◆ the introduction of a payroll tax rebate for apprentices, and
- ◆ the staged phasing out of the \$43 third party motor vehicle registration levy to exempt all private vehicles by 1 July 1999, and all vehicles by 1 July 2000.

At this stage no further tax reductions are planned for 2000-2001.

However, as part of this year's budget bills, legislation will be introduced to reduce payroll tax to 6.2 percent from 1 July 2001, and to 6.0 percent from 2002.

This will return the burden of payroll tax to around the level applying prior to the Greiner Government's tax increase in 1990.

The cost to the revenue is estimated to amount to \$118 million in 2001-2002 and \$261 million in 2002-2003.

An additional allowance for tax reductions has been factored into the revenue forward estimates equal to \$150 million in 2001-2002 and \$175 million in 2002-2003.

The value of all the tax reductions amounts to \$392 million in 1999-2000, \$482 million in 2000-2001, \$780 million in 2001-2002 and almost one billion dollars in 2002-2003 – a total of \$2,633 million over four years.

BUDGET RESULT

This is the second year that the Budget has been presented on both an accrual and cash basis.

Accrual accounting means that all costs, including depreciation, are brought to account as they are incurred, rather than when they are paid.

In other words, it measures the costs of our consumption during the year including the cost of our consumption of capital.

The accrual operating result tells us whether we are building up our net worth or depleting it, whether we're becoming richer or poorer.

In recent years, the Commonwealth and all States except Queensland have moved to accrual accounting and the presentation of an operating result.

In the last round of Budgets, the Commonwealth has reported an operating surplus of \$5.7 billion, Victoria \$129 million, South Australia \$70 million and Western Australia \$171 million.

The operating result for NSW in 1999-2000 is a surplus of \$1,237 million, or \$2,097 million after abnormals.

That means that the net worth of the New South Wales general government sector will grow substantially throughout the coming year from around \$33.7 billion at June 1999 to around \$35.8 billion by June 2000.

For the total New South Wales state public sector, including both the general government sector and the government business enterprises, our net worth at June 1998 had reached \$72.2 billion, compared with \$55.2 billion in Queensland, \$28 billion in Victoria, \$28.2 billion in Western Australia and \$7.5 billion in South Australia.

Our very healthy operating surplus does not, however, mean we will have around \$2,000 million of spare cash left over at the end of the year.

That surplus will be almost completely re-invested in new public assets – new schools, new hospitals, new roads, new public transport – consolidating our State's social and economic strength, consolidating our success.

On a cash basis, the estimated result for 1999-2000 is a surplus of \$214 million, compared with a better than expected estimated surplus of around \$382 million in 1998-99.

It should be remembered that the cash surplus is after all of our projected annual cash running expenses and all of our capital investment in new assets.

CONCLUSION

Mr Speaker

New South Wales is immensely stronger than it was just four years ago.

This budget aims to make it even stronger.

It's a budget that achieves more for our families, and achieves more for our State.

Like the four budgets before it, it is every inch a Labor Budget.

It's a responsible Labor Budget from top to toe.

It's a budget that consolidates the surpluses, consolidates and improves our public and community services, and consolidates and increases our assets and investments.

It's a Budget that consolidates our success.